

CRESCENT REAL ESTATE EQUITIES CO

Form DEF 14A

May 17, 2005

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for use of the Commission
Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
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Rule 14a-12 | |

Crescent Real Estate Equities Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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CRESCENT REAL ESTATE EQUITIES COMPANY

777 Main Street, Suite 2100
Fort Worth, Texas 76102

Notice of Annual Meeting of Shareholders

To be held June 13, 2005

The Annual Meeting of Shareholders (the Meeting) of Crescent Real Estate Equities Company, a Texas real estate investment trust (the Company), will be held at the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, on June 13, 2005, at 10:00 a.m., Central Daylight Saving Time, for the following purposes:

1. To elect three trust managers of the Company to serve three-year terms, or until their respective successors are elected and qualified.
2. To ratify the appointment of Ernst & Young LLP as the independent auditors of the Company for the fiscal year ending December 31, 2005.
3. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement, which is attached and made a part of this Notice.

The Board of Trust Managers has fixed the close of business on April 28, 2005, as the record date for determining the shareholders entitled to notice of and to vote at the Meeting and any adjournment or postponement thereof.

Shareholders are cordially invited to attend the Meeting in person.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE POSTAGE-PREPAID ENVELOPE PROVIDED TO ENSURE YOUR REPRESENTATION AND THE PRESENCE OF A QUORUM AT THE MEETING. ALTERNATIVELY, YOU MAY VOTE BY INTERNET. Instructions regarding Internet voting are included on the enclosed proxy card. If you send in your proxy card or vote by Internet and then decide to attend the Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

By Order of the Board of Trust Managers,

May 17, 2005
Fort Worth, Texas

David M. Dean
Secretary

CRESCENT REAL ESTATE EQUITIES COMPANY

777 Main Street, Suite 2100
Fort Worth, Texas 76102

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held On June 13, 2005

This Proxy Statement is furnished to shareholders of Crescent Real Estate Equities Company, a Texas real estate investment trust (the Company), in connection with the solicitation of proxies by its board of trust managers (the Board of Trust Managers or the Board) on behalf of the Company for use at the 2005 Annual Meeting of Shareholders of the Company (the Meeting) to be held at the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, on Monday, June 13, 2005, at 10:00 a.m., Central Daylight Saving Time, for the purposes set forth in the Notice of Annual Meeting. This Proxy Statement and the accompanying form of proxy are first being sent or given to shareholders on or about May 20, 2005.

The Company owns its assets and conducts its operations through Crescent Real Estate Equities Limited Partnership, a Delaware limited partnership (the Operating Partnership), and its other subsidiaries. The sole general partner of the Operating Partnership is Crescent Real Estate Equities, Ltd., a Delaware corporation (the General Partner), which is a wholly owned subsidiary of the Company.

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INFORMATION ABOUT THE 2005 ANNUAL MEETING AND VOTING

Record Date and Outstanding Capital Shares

The record date for determination of the shareholders entitled to notice of and to vote at the Meeting is the close of business on April 28, 2005 (the Record Date). At the close of business on the Record Date, 99,862,617 of the Company s common shares of beneficial interest, par value \$.01 per share (the Common Shares), were issued, outstanding and entitled to vote at the Meeting.

Procedural Matters

Any proxy, if received in time, properly signed and not revoked, will be voted at the Meeting in accordance with the directions of the shareholder. If no directions are specified, the proxy will be voted FOR Proposals 1 and 2 (Items 1 and 2 on the proxy card). If any other matter or business is brought before the Meeting or any adjournment thereof, the proxy holders may vote the proxy in their discretion. The Board of Trust Managers does not know of any such matter or business to be presented for consideration.

A proxy may be revoked by (i) delivering a written statement to the Secretary of the Company stating that the proxy is revoked, (ii) presenting at the Meeting a subsequent proxy executed by the person executing the prior proxy, or (iii) attending the Meeting and voting in person.

Quorum and Voting

The presence, in person or by proxy, of the holders of a majority of the Common Shares outstanding and entitled to vote as of the Record Date is necessary to constitute a quorum for the transaction of business at the Meeting. In deciding all questions, a holder of Common Shares is entitled to one vote, in person or by proxy, for each Common Share held in such holder s name on the Record Date.

Required Affirmative Vote and Voting Procedures

The vote required to elect the nominees as trust managers (Proposal Number 1) is a majority of the votes cast at the Meeting by the holders of Common Shares entitled to vote on such matter. In order to approve the proposal to ratify the appointment of independent auditors (Proposal Number 2), a majority of the votes cast for and against the proposal must be voted in favor of the proposal. Common Shares held by shareholders present at the Meeting in person who do not vote and ballots marked abstain, against or withhold authority will be counted as present at the Meeting for quorum purposes. Under the Company s Restated Declaration of Trust, as amended (the Declaration of Trust), Third Amended and Restated Bylaws (the Bylaws), and applicable law, abstentions constitute votes cast but broker non-votes do not. Ballots marked withhold authority with respect to the election of the trust managers effectively constitute votes against such matter. Ballots marked abstain with respect to ratification of the appointment of independent auditors will have no effect on the outcome of the vote on such matter. Broker non-votes will have no effect on the outcome of the vote on either of the proposals. In the event that you hold your shares through the Company s 401(k) Plan and you elect not to vote your shares, the 401(k) Plan s Trustees will vote your undirected shares in the same proportion as those shares for which the Trustees received proper voting directions from the remaining 401(k) Plan participants.

Costs of Proxy Solicitation

The Company will bear the cost of preparing, assembling and mailing the proxy material. Upon request, the Company will reimburse brokers, banks, nominees and other fiduciaries for postage and reasonable clerical expenses

of forwarding the proxy materials to their principals, the beneficial owners of the Common Shares. In an effort to have as large a representation at the Meeting as possible, special solicitation of proxies may, in certain instances, be made personally, or by telephone, facsimile, or mail by one or more employees of the General Partner, who will not receive any additional compensation in connection therewith.

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**PROPOSAL NUMBER 1
ELECTION OF TRUST MANAGERS**

The trust managers of the Company are divided into three classes, with the shareholders electing a portion of the trust managers annually. The trust managers whose terms will expire at the Meeting are John C. Goff, Paul E. Rowsey, III and Robert W. Stallings. Messrs. Goff, Rowsey and Stallings have been nominated and have agreed to stand for election at the Meeting as trust managers, to hold office until the Annual Meeting of Shareholders in 2008, or until their respective successors are elected and qualified.

The nominees who receive a majority of the votes cast by shareholders who are present in person or represented by proxy at the Meeting and entitled to vote on the election of trust managers will be elected as trust managers of the Company.

The Board of Trust Managers recommends a vote FOR John C. Goff, Paul E. Rowsey, III and Robert W. Stallings as trust managers to hold office until the Annual Meeting of Shareholders in 2008, or until their respective successors are elected and qualified.

If any of Messrs. Goff, Rowsey or Stallings becomes unable to serve as a trust manager for any reason, the Board of Trust Managers may designate a substitute nominee or nominees, in which event the persons named in the enclosed proxy will vote for the election of the substitute nominee or nominees. Alternatively, the Board may leave unfilled until a later time any vacant position or may reduce the number of trust managers on the Board of Trust Managers.

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PROPOSAL NUMBER 2
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Trust Managers of the Company has appointed Ernst & Young LLP to continue as the Company's independent auditors for the fiscal year ending December 31, 2005. In the event that ratification of this appointment of auditors is not approved by the affirmative vote of a majority of the votes cast for and against the matter by shareholders present or represented by proxy at the Meeting and entitled to vote on the matter, then the Audit Committee of the Board of Trust Managers of the Company will reconsider its appointment of independent auditors. In this case, the Audit Committee, in its discretion, may continue the Company's relationship with Ernst & Young LLP. In addition, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if the Audit Committee believes that such an appointment would be in the best interests of the Company's shareholders.

A representative of Ernst & Young LLP is expected to be present at the Meeting. The representative will have an opportunity to make a statement and will be able to respond to appropriate questions.

Fiscal 2004 and 2003 Audit Firm Fee Summary. During fiscal years 2004 and 2003, the Company retained Ernst & Young LLP to provide services in the following categories and amounts:

	Fiscal Year 2004	Fiscal Year 2003
Audit Fees	\$ 3,980,185	\$ 1,342,500
Audit Related Fees ⁽¹⁾	398,395	650,000
Tax Fees ⁽²⁾	939,099	858,500
All Other Fees	0	2,000 ⁽³⁾
Total	\$ 5,317,679	\$ 2,853,000

- (1) Audit related fees consist of audit fees incurred for consultation concerning financial accounting and reporting standards, comfort letters, and work performed in connection with SEC offerings and other filings.
- (2) Tax fees include tax consultation and federal and state tax compliance.
- (3) Represents tax software and stock option software.

Since Ernst & Young LLP was retained in 2002, the Audit Committee has approved in advance all fees paid to and services provided by Ernst & Young LLP. The Audit Committee of the Board of Trust Managers has considered those services provided by Ernst & Young LLP for the Company not provided in conjunction with the audit and review of its financial statements and has determined that such services are compatible with maintaining the independence of Ernst & Young LLP.

The Board of Trust Managers recommends a vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2005.

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The Board of Trust Managers of the Company currently consists of eight members, divided into three classes serving staggered three-year terms. Set forth below is information with respect to the current eight trust managers of the Company and the executive officers of the Company and the General Partner.

Name	Term Expires	Age	Position
Richard E. Rainwater	2006	60	Chairman of the Board of Trust Managers of the Company
John C. Goff	2005	49	Vice Chairman of the Board of Trust Managers of the Company, Chief Executive Officer of the Company and the General Partner, and Sole Director of the General Partner
Dennis H. Alberts	2007	56	Trust Manager of the Company and President and Chief Operating Officer of the Company and the General Partner
Anthony M. Frank	2006	73	Trust Manager of the Company
William F. Quinn	2006	57	Trust Manager of the Company
Paul E. Rowsey, III	2005	50	Trust Manager of the Company
Robert W. Stallings	2005	56	Trust Manager of the Company
Terry N. Worrell	2007	60	Trust Manager of the Company
Jerry R. Crenshaw, Jr.	N/A	41	Managing Director and Chief Financial Officer of the Company and the General Partner
David M. Dean	N/A	44	Managing Director, Law and Secretary of the Company and the General Partner
Thomas G. Miller	N/A	49	Managing Director, Investments of the Company and the General Partner
Kenneth S. Moczulski	N/A	52	Managing Director, Investments of the Company and the General Partner
Jane E. Mody	N/A	53	Managing Director, Capital Markets of the Company and the General Partner
Jane B. Page	N/A	44	Managing Director, Asset Management of the Company and the General Partner

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Paul R. Smith	N/A	45	Managing Director, Fund Management of the Company and the General Partner
John L. Zogg, Jr.	N/A	41	Managing Director, Asset Management of the Company and the General Partner
Christopher T. Porter	N/A	39	Senior Vice President and Treasurer of the Company and the General Partner

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The following is a summary of the experience of the current and proposed trust managers and the current executive officers.

Richard E. Rainwater has been an independent investor since 1986. From 1970 to July 1986, he served as the chief investment advisor to the Bass family, whose overall wealth increased dramatically during his tenure. During that time, Mr. Rainwater was principally responsible for numerous major corporate and real estate acquisitions and dispositions. Upon beginning his independent investment activities, he founded ENSCO International Incorporated, an oil field service and offshore drilling company, in December 1986. Additionally, in June 1988, he co-founded Columbia Hospital Corporation, and in March 1989 he participated in a management-led buy out of HCA-Hospital Corporation of America. In November 1992, Mr. Rainwater co-founded Mid Ocean Limited, a provider of casualty re-insurance. In February 1994, he assisted in the merger of Columbia Hospital Corporation and HCA-Hospital Corporation of America that created Columbia/HCA Healthcare Corporation. Mr. Rainwater is a graduate of the University of Texas at Austin and the Graduate School of Business at Stanford University. Mr. Rainwater has served as the Chairman of the Board of Trust Managers since the Company's inception in 1994.

John C. Goff co-founded the Company with Mr. Rainwater while serving as principal of Rainwater, Inc. Mr. Goff served as Chief Executive Officer and as a trust manager from the Company's inception in February 1994 through December 1996, when he became Vice Chairman. In June 1999, Mr. Goff returned as Chief Executive Officer of the Company and remains as Vice Chairman. Mr. Goff has served as the managing principal of Goff Moore Strategic Partners, L.P., a private investment partnership, since its formation in February 1998. From June 1987 to May 1994, Mr. Goff was vice president of Rainwater, Inc. Prior to joining Rainwater, Inc., Mr. Goff was employed by KPMG Peat Marwick, with Mr. Rainwater as one of his principal clients. Mr. Goff also serves on the boards of GAINSCO, Inc., OpenConnect Systems, Inc. and The National Association of Real Estate Investment Trusts. Mr. Goff is a graduate of the University of Texas and is a Certified Public Accountant.

Dennis H. Alberts, prior to joining the Company, served as President and Chief Executive Officer of Pacific Retail Trust, a privately held retail shopping center real estate investment trust (REIT), which he founded in 1993. While at Pacific Retail Trust, Mr. Alberts directed all aspects of the company, including acquisition, development and operational activities, from 1993 until 1999 when Pacific Retail Trust merged into Regency Realty, Inc., a publicly traded REIT. In 1999, Mr. Alberts also served as a consultant to Regency Realty, Inc. Prior to founding Pacific Retail Trust, Mr. Alberts served as President and Chief Operating Officer of First Union Real Estate Investments, a publicly held retail, multi-family and office REIT, in 1992. From 1987 to 1991, Mr. Alberts served as President and Chief Executive Officer of Rosewood Property Company where he focused on asset management and leasing of Rosewood's office portfolio. Before joining Rosewood Property Company, he served as President and Managing Partner of Trammell Crow Residential Companies of Dallas from 1984 to 1987. Mr. Alberts holds a Bachelor of Science degree and Master of Business Administration degree from the University of Missouri. Since April 2000, Mr. Alberts has served as President and Chief Operating Officer of the Company and the General Partner. Mr. Alberts has served as a trust manager of the Company since May 2002.

Anthony M. Frank currently serves as Chairman Emeritus of Belvedere Capital Partners, general partner of the California Community Financial Institutions Fund LP, which he co-founded in 1994. From March 1988 to March 1992, he served as Postmaster General of the United States. From April 1992 until June 1993, he served as the founding chairman of Independent Bancorp of Arizona. Mr. Frank has also served as a Director of: Temple Inland, Inc., a manufacturer of paper and timber products, from May 1992 to May 2004; Bedford Property Investors, Inc., an office and commercial property REIT investing primarily on the West Coast, since May 1992; Charles Schwab & Co., one of the nation's largest discount brokerages, from July 1993 to May 2004; Cotelligent, Inc., a provider of temporary office support services, from May 1995 to April 2004; and Charles Schwab Bank since May 2004. Mr. Frank received a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from the Amos Tuck School of Business at Dartmouth. Mr. Frank has served as a trust manager since the Company's inception in

1994.

William F. Quinn has served as President of American Beacon Advisors, Inc., the investment services affiliate of American Airlines, with responsibility for the management of pension and short-term fixed income assets,

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since November 1986 and as Director since 2001. Prior to being named to his current position in 1986, Mr. Quinn held several management positions with American Airlines and its subsidiaries. He served as Director of the Board of American Airlines Federal Credit Union from July 1979 to present, including serving as Chairman of the Board from November 1989 to May 2003. Mr. Quinn has served on the advisory board for Southern Methodist University's Endowment Fund since September 1996 and has formerly served two terms on the New York Stock Exchange Pension Management Advisory Committee from October 1, 1996 to April 20, 1999 and from October 1, 2000 to May 31, 2003. He holds a Bachelor of Science degree in Accounting from Fordham University and is a Certified Public Accountant. Mr. Quinn has served as a trust manager since the Company's inception in 1994.

Paul E. Rowsey, III is currently the Managing Partner and founder of E2M Partners, LLC, a private real estate investment management firm. Prior to forming E2M in January 2005, Mr. Rowsey was founder and President of Eiger, Inc., a sponsor and manager of real estate funds. Prior to forming Eiger in 1999, he was President and a member of the Board of Directors of Rosewood Property Company, a vertically integrated real estate operating company, a position he held from February 1988 until December 1998. Mr. Rowsey has served as a member of the Board of Directors of ENSCO International Incorporated, an offshore oil field service and drilling company, since January 2000. Mr. Rowsey holds a Bachelor of Arts degree in Management Science from Duke University and a Juris Doctorate degree from Southern Methodist University School of Law. Mr. Rowsey has served as a trust manager since the Company's inception in 1994.

Robert W. Stallings has served as Chairman and Chief Executive Officer of Stallings Capital Group, Inc., a Dallas-based merchant banking firm specializing in the financial services industry, since February 2001. Since January 2005, Mr. Stallings has served as executive Chairman of the Board of GAINSCO, Inc. From September 2001 to January 2005, he served as non-executive Chairman of GAINSCO, Inc., and prior to that time served as non-executive Vice Chairman of GAINSCO, Inc. beginning in March 2001. Mr. Stallings has also served as a director of Texas Capital Bancshares, Inc. since August 2001. He is the retired Chairman and founder of ING Pilgrim Capital Corporation, a \$20 billion asset management firm which was acquired by ING Group in September 2000 and with which he had been associated since 1991. Mr. Stallings received a degree in Business from Johnson & Wales University. Mr. Stallings has served as a trust manager of the Company since May 2002.

Terry N. Worrell has been a private investor in commercial properties and other business ventures with Worrell Investments, Inc. since 1989. From 1974 to 1989, he served as President and Chief Executive Officer of Sound Warehouse of Dallas, Inc. prior to its purchase by Shamrock Holdings. Mr. Worrell has served as a director of Regency Centers Corp., a developer/operator of shopping centers since February 1999 and NL Industries, Inc., an international producer of titanium dioxide pigments since October 2003. Mr. Worrell was a member of Pacific Retail Trust's board of trustees before its merger into Regency Centers Corp. in February 1999. Mr. Worrell received a Master of Business Administration degree from the University of North Texas. Mr. Worrell has served as a trust manager of the Company since May 2002.

Jerry R. Crenshaw, Jr., prior to joining the Company, was the Controller of Carrington Laboratories, Inc., a pharmaceutical and medical device company, from 1991 until February 1994. From 1986 until 1991, Mr. Crenshaw was an audit senior in the real estate services group of Arthur Andersen LLP. Mr. Crenshaw holds a Bachelor of Business Administration degree in Accounting from Baylor University and is a Certified Public Accountant. Mr. Crenshaw served as Controller from the Company's inception in 1994 to March 1997 when he became Vice President and served as Vice President, Controller until December 1998 and Vice President, Finance until September 1999. In addition, Mr. Crenshaw served as Interim Co-Chief Financial Officer of the Company and the General Partner from August 1998 until April 1999. From September 1999 to October 2002, Mr. Crenshaw served as Senior Vice President, Chief Financial Officer of the Company and the General Partner. Mr. Crenshaw served as Executive Vice President and Chief Financial Officer of the Company and the General Partner from October 2002 to March 2005. In March 2005, Mr. Crenshaw's title changed to Managing Director and Chief Financial Officer of the

Company and the General Partner.

David M. Dean, prior to joining the Company, was an attorney for Burlington Northern Railroad Company from 1992 to 1994, and he served as Assistant General Counsel in 1994. At Burlington Northern, he was responsible for the majority of that company's transactional and general corporate legal work. Mr. Dean was previously engaged in the private practice of law from 1986 to 1990 with Kelly, Hart & Hallman, and from 1990 to 1992 with Jackson

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Walker L.L.P., where he worked primarily on acquisition, financing and venture capital transactions for Mr. Rainwater and related investor groups. Mr. Dean graduated with honors from Texas A&M University with Bachelor of Arts degrees in English and Philosophy in 1983. He also holds a Juris Doctor degree and a Master of Laws degree in Taxation from Southern Methodist University School of Law. Mr. Dean served as Senior Vice President, Law, and Secretary from the time he joined the Company in August 1994 to September 1999 when he became Senior Vice President, Law and Administration and Secretary, a position which he held until January 2001. From January 2001 to March 2005, Mr. Dean served as Executive Vice President, Law and Administration and Secretary of the Company and the General Partner. In March 2005, Mr. Dean's title changed to Managing Director, Law and Secretary of the Company and the General Partner.

Thomas G. Miller, prior to joining the Company, served as Managing Director with Jones Lang LaSalle's Capital Markets Group where he led the firm's western U.S. practice for 19 years. He served as an international director, responsible for overseeing the company's southern California activities, specializing in capital markets and investment management services for Jones Lang LaSalle's domestic and overseas clients. With over 26 years of real estate experience, Mr. Miller has been involved in capital transactions valued at several billion dollars, including dispositions, acquisitions and financings of major office, retail, industrial, land and high-rise residential properties throughout the United States. Mr. Miller holds a Bachelor of Science degree in Business Administration from the University of Southern California. Mr. Miller served as Senior Vice President, Investments of the General Partner from July 2003 to March 2005. Since March 2005, Mr. Miller has served as Managing Director, Investments of the Company and the General Partner.

Kenneth S. Moczulski, prior to joining the Company, served as President and founder of Transworld Properties, Inc., a subsidiary of a privately held international oil company, beginning in January 1992. While at Transworld Properties, Inc., Mr. Moczulski was responsible for the formation and implementation of real estate investment strategy, as well as management of on-going real estate development, asset management, and dispositions. Prior to founding Transworld Properties, Inc., Mr. Moczulski served as Vice President of Jaymont Properties in New York from April 1987 to December 1991, where he was responsible, on a national basis, for all acquisition and disposition activities. From February 1979 to March 1987, Mr. Moczulski served as Development Manager for a number of commercial developments for Gerald D. Hines Interests. Mr. Moczulski holds a Bachelor of Science degree in Civil Engineering from the University of Cincinnati and a Master of Business Administration degree from Harvard Graduate School of Business. Mr. Moczulski served as President of Investments and Chief Investment Officer of the Company and the General Partner from November 2000 to March 2005. In March 2005, Mr. Moczulski's title changed to Managing Director, Investments of the Company and the General Partner.

Jane E. Mody, prior to joining the Company, served as Vice President of Goldman, Sachs & Co. from February 2000 to February 2001. While at Goldman, Sachs & Co., Ms. Mody worked with the real estate merchant banking division and was responsible for fund reporting for nine real estate opportunity funds. She served as Managing Director and Chief Financial Officer of Pacific Retail Trust, a private REIT, which she co-founded, from December 1993 until February 1999 when Pacific Retail Trust merged into Regency Realty, Inc., a publicly traded REIT. From February 1999 to August 1999 Ms. Mody served as a consultant to Regency Realty, Inc. Prior to co-founding Pacific Retail Trust, Ms. Mody served as Executive Vice President of Rosewood Property Company, a real estate investment company, from April 1988 to December 1993. Ms. Mody serves on the board of the Dallas Chapter of the American Red Cross. Ms. Mody graduated from Austin College with a Bachelor of Arts degree and holds a Master of Business Administration degree in International Business from the University of Dallas. Ms. Mody served as Executive Vice President, Capital Markets of the Company and the General Partner from February 2001 to March 2005. In March 2005, Ms. Mody's title changed to Managing Director, Capital Markets of the Company and the General Partner.

Jane B. Page, prior to joining the Company, was employed by Metropolitan Life Real Estate Investments from July 1984 to January 1998, holding positions of director of corporate property management and regional asset manager of Metropolitan's institutional portfolio in Houston, Austin and New Orleans. Ms. Page's 14-year tenure at Metropolitan also included membership on Metropolitan's Investment Committee, which reviewed and approved all significant transactions on a national basis. Ms. Page serves on the Boards of the Greater Houston Partnership, Central Houston, Inc. and the Downtown Houston Management District. Ms. Page graduated with a Bachelor of Arts degree from Point Loma College in San Diego and with a Master of Business Administration degree from the University of San Francisco. She also holds Certified Commercial Investments Manager and Certified Property

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Manager designations. Ms. Page served as Director of Asset Management, Houston Region from the time she joined the Company in January 1998 to December 1998, when she became Vice President, Asset Management, Houston Region. From May 2000 to March 2004, Ms. Page served as Senior Vice President, Asset Management and Leasing, Houston Region. From March 2004 to March 2005, Ms. Page served as Executive Vice President, Asset Management and Leasing, Houston Region. In March 2005, Ms. Page's title changed to Managing Director, Asset Management of the Company and the General Partner.

Paul R. Smith, prior to joining the Company, served as a portfolio manager at INVESCO Real Estate, beginning in 2000, where he managed real estate investments for a \$325 million value-added commingled fund. From 1989 to 2000, Mr. Smith served as a portfolio manager for Sarofim Realty Advisors where he managed a \$1 billion portfolio of office and retail properties on behalf of various institutional clients. Mr. Smith has more than 15 years of experience in the pension fund advisory business, including portfolio management, financing and fund-raising. Mr. Smith holds a Bachelor of Arts degree from Harvard University and a Master of Business Administration degree from the University of Texas. Since May 2005, Mr. Smith has served as Managing Director, Fund Management of the Company and the General Partner.

John L. Zogg, Jr., prior to joining the Company, served as Vice President of the commercial real estate group of Rosewood Property Company, responsible for marketing and leasing office space in the Dallas and Denver areas, from January 1989 to May 1994. For three years prior to joining Rosewood Property Company, Mr. Zogg worked as Marketing Manager of Gerald D. Hines Interests, where he was responsible for office leasing in the Dallas metropolitan area from June 1985 to January 1988. He graduated from the University of Texas at Austin with a Bachelor of Arts degree in Economics and holds a Master of Business Administration degree from the University of Dallas. Mr. Zogg joined the Company as a Vice President in May 1994 and served as Vice President, Leasing and Marketing, from June 1997 to September 1999 when he became Vice President, Leasing/Marketing, Southwest Region. From May 2000 to March 2005, Mr. Zogg served as Senior Vice President, Asset Management and Leasing, Dallas Region. Since March 2005, Mr. Zogg has served as Managing Director, Asset Management of the Company and the General Partner.

Christopher T. Porter, prior to joining the Company, held the office of Senior Vice President, Investor Relations, for Associates First Capital Corporation, a leading financial services firm, from January 1999 through October 1999. Prior to 1999, Mr. Porter served as Vice President and Assistant Treasurer in banking relations and cash management at Associates First Capital Corporation from November 1991 through January 1999. Mr. Porter received a Bachelor of Science degree in Economics from the University of Texas at Austin and a Master of Business Administration degree in Finance from the University of North Texas and is a certified cash manager. Mr. Porter served as Vice President and Treasurer of the Company and the General Partner from December 1999 to March 2005. Since March 2005, Mr. Porter has served as Senior Vice President and Treasurer of the Company and the General Partner.

Trust Manager Compensation

During 2004, each trust manager who is not also an officer of the Company (Outside Trust Manager) received an annual fee of \$40,000 (payable in cash or, at the election of the trust manager, in Common Shares in an amount determined by dividing the fees otherwise payable by 90% of the fair market value of the Common Shares). In addition, during 2004, each Outside Trust Manager received a meeting fee of \$1,500 for each Board of Trust Managers meeting attended in person or by telephone, a fee of \$2,000 for the Audit Committee Chairman's participation in each Audit Committee meeting attended in person or by telephone, a fee of \$1,500 for each Audit Committee member's participation in each Audit Committee meeting attended in person or by telephone, a fee of \$1,500 for all other committee chairmen's participation in each committee meeting attended in person or by telephone, and a fee of \$1,000 for all other committee members' participation in each committee meeting attended in person or by telephone. In addition, each Outside Trust Manager annually receives a grant of 14,000 stock options under the

Company's 1995 Stock Incentive Plan, as amended. Trust managers who are also officers receive no separate compensation for their service as trust managers.

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Board of Trust Managers

Corporate Governance. The Company is currently managed by an eight-member Board of Trust Managers. The Board has adopted a Corporate Governance Policy, which, along with the written charters for the Board committees described below, provides the framework for the Board's governance of the Company. The Corporate Governance Policy is available in the investor relations section of the Company's website at www.crescent.com.

Meetings and Attendance. During the last fiscal year, the Board of Trust Managers held four meetings, and no trust manager attended fewer than 75% of the aggregate of all meetings of the Board of Trust Managers and the committees, if any, upon which such trust managers served and which were held during the period of time that such person served on the Board of Trust Managers or such committee. In addition, all of the Company's trust managers attended the 2004 annual shareholders meeting either in person or by telephone.

Shareholder Communications. The Board of Trust Managers has adopted a Shareholder Communications Policy that includes processes for shareholders to send communications to the Board. The Shareholder Communications Policy is available in the investor relations section of the Company's website at www.crescent.com.

Committees of the Board of Trust Managers

The Board of Trust Managers has three standing committees, which are described below. The Board of Trust Managers has determined that all current members of each committee are independent as that term is defined under the listing standards of the New York Stock Exchange. The charter for each of these committees is available in the investor relations section of the Company's website at www.crescent.com.

Audit Committee. The Audit Committee consists of Anthony M. Frank, Chairman, William F. Quinn and Robert W. Stallings. The Board of Trust Managers has determined that Anthony M. Frank is an audit committee financial expert, as defined by applicable Securities and Exchange Commission (SEC or Commission) rules. The Audit Committee, which held nine meetings in 2004, has sole discretion concerning the engagement of independent auditors, reviews with the independent auditors the plans and results of the audit engagement, pre-approves professional services that the independent auditors provide, reviews the independence of the independent auditors, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls.

Executive Compensation Committee. The Executive Compensation Committee consists of Paul E. Rowsey, III, Chairman, Anthony M. Frank and Terry N. Worrell. The Executive Compensation Committee, which held seven meetings in 2004, determines compensation for the Company's executive officers and administers the stock incentive and other compensation plans that the Company adopts.

Governance Committee. The Governance Committee consists of Robert W. Stallings, Chairman, Paul E. Rowsey, III, and Terry N. Worrell. The Governance Committee nominates persons to serve as members of the Board of Trust Managers. The Governance Committee seeks to identify candidates for trust manager who have the following skills and characteristics: (i) superior leadership abilities; (ii) independence; (iii) commitment to improving the Company's value for the benefit of its shareholders; (iv) innovative thought; (v) business and management experience; and (vi) a working knowledge of basic finance and accounting principles. The Governance Committee also will consider nominees that shareholders recommend, and these recommendations may be delivered in writing to the attention of the Governance Committee in care of the Company Secretary at the Company's principal executive offices.

In addition, the Governance Committee develops and recommends to the Board corporate governance policies and procedures applicable to the Company, particularly as such policies and procedures may be required by federal and

state securities laws, the New York Stock Exchange or any other applicable regulatory requirements. The Governance Committee held three meetings in 2004.

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Code of Business Conduct

All trust managers, officers and employees of the Company must act ethically at all times and in accordance with the policies comprising the Company's Code of Business Conduct. The Code of Business Conduct is published on the investor relations section of the Company's website at www.crescent.com, and the Company intends to post amendments to and waivers from the Code of Business Conduct on this website.

Table of Contents**SHARE OWNERSHIP**

The following table sets forth the beneficial ownership of Common Shares for (i) each shareholder of the Company who beneficially owns more than 5% of the Common Shares, (ii) each trust manager and nominee for trust manager, (iii) the Company's Chief Executive Officer and the four other most highly compensated executive officers of the Company and the General Partner (collectively, the Named Executive Officers), and (iv) the trust managers and executive officers of the Company and the General Partner as a group. Unless otherwise indicated in the footnotes, the listed beneficial owner directly owns all Common Shares. ⁽¹⁾

Name and Address of Beneficial Owner ⁽²⁾	Number of Common Shares (3)(4)(5)(6)	Percent of Common Shares ⁽⁷⁾
Richard E. Rainwater.	16,621,283 ⁽⁸⁾	15.4%
John C. Goff.	4,835,471 ⁽⁹⁾	4.8%
Dennis H. Alberts.	350,270	*
Anthony M. Frank.	117,827	*
William F. Quinn.	135,019	*
Paul E. Rowsey, III.	113,427	*
Robert W. Stallings.	71,300 ⁽¹⁰⁾	*
Terry N. Worrell.	64,000 ⁽¹¹⁾	*
Kenneth S. Moczulski.	182,200 ⁽¹²⁾	*
Jane E. Mody.	9,532 ⁽¹³⁾	*
Jerry R. Crenshaw, Jr.	299,155 ⁽¹⁴⁾	*
Trust Managers and Executive Officers as a Group (16 persons)	23,556,493 ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	22.3%

* Less than 1%

⁽¹⁾ All information is as of April 28, 2005 (the Record Date), unless otherwise indicated. The number of Common Shares beneficially owned is reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Accordingly, the number of Common Shares a person beneficially owns includes (i) the number of Common Shares that such person has the right to acquire within 60 days of the Record Date upon the exercise of options (Stock Options) granted pursuant to the 1994 Crescent Real Estate Equities, Inc. Stock Incentive Plan (the 1994 Plan) or the 1995 Crescent Real Estate Equities Company Stock Incentive Plan, as amended (the 1995 Plan), (ii) the number of Common Shares that may be issued within 60 days of the Record Date upon exchange of partnership units of the Operating Partnership (Units) that such person owns for Common Shares, with such exchange made on the basis of two Common Shares for each Unit exchanged (assuming the Company elects to issue Common Shares rather than pay cash upon such exchange), and (iii) the number of Common Shares that may be issued within 60 days of the Record Date upon exercise of options (the Plan Unit Options) granted under the 1996 Crescent Real Estate Equities Limited Partnership Unit Incentive Plan, as amended (the Unit Plan), to purchase Units and the subsequent exchange of such Units for Common Shares, with such exchange made on the basis of two Common Shares for each Unit exchanged (assuming the Company elects to issue Common Shares rather than pay cash upon such exchange). In addition, the number of Common Shares a person beneficially owns is deemed to include the number of Common Shares issuable upon conversion of the Series A Convertible Cumulative Preferred Shares (the Series A Preferred Shares), each of which is currently convertible into .6119 Common Shares.

⁽²⁾ Unless otherwise indicated, the address of each beneficial owner is 777 Main Street, Suite 2100, Fort Worth,

Texas 76102.

- (3) The number of Common Shares the following persons beneficially own includes the number of Common Shares indicated due to the vesting of unexercised Stock Options, as follows: John C. Goff 400,000; Dennis H. Alberts 203,400; Anthony M. Frank 84,000; William F. Quinn 95,200; Paul E. Rowsey, III 92,400, Robert W. Stallings 14,000; Terry N. Worrell 14,000; Kenneth S. Moczulski 182,000; Jerry R. Crenshaw, Jr. 165,000; and Trust Managers and Executive Officers as a Group 1,659,765.
- (4) The number of Common Shares the following persons beneficially own includes the number of Common Shares owned indirectly through participation in the General Partner's 401(k) Plan as of March 31, 2005, as follows: John C. Goff 13,173; Jerry R. Crenshaw, Jr. 6,463, and Trust Managers and Executive Officers as a Group 36,370.
- (5) The number of Common Shares the following persons beneficially own includes the number of Common Shares that may be issued upon exchange of Units that such person owns, as follows: Richard E. Rainwater 11,447,344; John C. Goff 1,812,970; and Trust Managers and Executive Officers as a Group 13,260,314.

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- (6) The number of Common Shares the following persons beneficially own includes the number of Common Shares owned through participation in the General Partner's Employee Stock Purchase Plan as of March 31, 2005, as follows: John C. Goff 2,415; and Trust Managers and Executive Officers as a Group 2,671.
- (7) The percentage of Common Shares that a person listed in the Beneficial Ownership table beneficially owns assumes that (i) as to that person, all Units are exchanged for Common Shares, all Series A Preferred Shares are exchanged for Common Shares, all Stock Options exercisable within 60 days of the Record Date are exercised and all Plan Unit Options exercisable within 60 days of the Record Date are exercised and the Units so acquired are subsequently exchanged for Common Shares, and (ii) as to all other persons, no Units are exchanged for Common Shares, no Series A Preferred Shares are converted into Common Shares, and no Stock Options or Plan Unit Options are exercised.
- (8) The number of Common Shares that Mr. Rainwater beneficially owns includes 744,704 Common Shares and 519,610 Common Shares that may be issued upon exchange of Units that Darla Moore, Mr. Rainwater's spouse, beneficially owns. Mr. Rainwater disclaims beneficial ownership of these Common Shares. In addition, the number of Common Shares that Mr. Rainwater beneficially owns includes 2,958,238 Common Shares and 6,320,468 Common Shares that may be issued upon exchange of Units that Mr. Rainwater owns indirectly, including (i) 12,525 Common Shares and 49,506 Common Shares that may be issued upon exchange of Units owned by Rainwater, Inc., a Texas corporation, of which Mr. Rainwater is a director and the sole owner, (ii) 10,586 Common Shares and 6,270,962 Common Shares that may be issued upon exchange of Units owned by Office Towers LLC, a Nevada limited liability company, of which Mr. Rainwater and Rainwater, Inc. own an aggregate 100% interest, and (iii) 2,935,127 Common Shares owned by the Richard E. Rainwater 1995 Charitable Remainder Unitrust No. 1, of which Mr. Rainwater is the settlor and has the power to remove the trustee and designate a successor, including himself.
- (9) The number of Common Shares that Mr. Goff beneficially owns includes (i) 152,560 Common Shares that may be issued upon exchange of Units that Goff Family, L.P., a Delaware limited partnership, owns, (ii) 1,223,102 Common Shares that may be issued upon exchange of Units due to the vesting of Plan Unit Options and (iii) 200,000 shares of restricted stock, which will vest (*i.e.*, the restrictions will lapse) one-half on February 19, 2006 and one-half on February 19, 2007. Mr. Goff disclaims beneficial ownership of the Common Shares that may be issued upon exchange of Units that Goff Family, L.P. owns in excess of his pecuniary interest in such Units. Mr. Goff has sole voting power with respect to the shares of restricted stock.
- (10) The number of Common Shares that Mr. Stallings beneficially owns includes 13,500 Common Shares in an IRA account which is owned by Linda E. Stallings, Mr. Stallings' spouse. Mr. Stallings disclaims beneficial ownership of such Common Shares.
- (11) The number of Common Shares that Mr. Worrell beneficially owns includes 50,000 Common Shares in a joint brokerage account of which Mr. Worrell and his spouse, Sharon Worrell, share voting and investment power.
- (12) The number of Common Shares that Mr. Moczulski beneficially owns includes 200 Common Shares that are owned by The Kenneth and Cara Moczulski Living Trust, of which Mr. Moczulski and his spouse Cara A. Moczulski are co-settlors, co-beneficiaries and co-trustees. Mr. Moczulski disclaims beneficial ownership of all shares held by the Trust in excess of his pecuniary interest in the Trust.
- (13) The number of Common Shares that Ms. Mody beneficially owns includes 9,532 Common Shares owned by the Mody Family Living Trust, of which Ms. Mody and her spouse Haji Mody are the trustees and beneficiaries.
- (14)

The number of Common Shares that Mr. Crenshaw beneficially owns includes 8,092 Common Shares in joint brokerage account of which Mr. Crenshaw and his spouse, Lori Crenshaw, share voting and investment power.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth the annual and long-term compensation paid or awarded for the years ended December 31, 2004, 2003, and 2002, to the Named Executive Officers. As a result of the Company's umbrella partnership REIT structure, the General Partner, rather than the Company, compensates all employees. The Company did not grant any stock appreciation rights (SARs) during this period.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards			All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)	Payouts (\$)	
John C. Goff Chief Executive Officer	2004	934,615	900,000	-	-	-	-	33,084 ⁽²⁾⁽³⁾
	2003	894,231	1,350,000	660,000 ⁽¹⁾	-	-	-	72,998
	2002	750,000	900,000	660,000 ⁽¹⁾	5,253,000 ⁽⁴⁾	3,000,000 ⁽⁵⁾⁽⁶⁾	-	100,915
Dennis H. Alberts President and Chief Operating Officer	2004	519,230	500,000	-	-	-	-	207,976 ⁽²⁾⁽³⁾
	2003	494,904	750,000	440,000 ⁽¹⁾	-	-	-	207,066
	2002	367,500	551,250	440,000 ⁽¹⁾	-	1,000,000 ⁽⁶⁾	-	(60,037)
Kenneth S. Moczulski Managing Director, Investments	2004	363,462	273,000	-	-	-	-	82,235 ⁽²⁾⁽³⁾
	2003	349,231	378,000	308,000 ⁽¹⁾	-	-	-	83,125
	2002	328,846	396,000	308,000 ⁽¹⁾	-	350,000 ⁽⁶⁾	-	3,295
Jane E. Mody Managing Director, Capital Markets	2004	342,692	272,250	-	-	-	-	89,547 ⁽²⁾⁽³⁾
	2003	328,461	363,000	264,000 ⁽¹⁾	-	-	-	69,403
	2002	290,000	319,000	264,000 ⁽¹⁾	-	300,000 ⁽⁶⁾	-	-
Jerry R. Crenshaw, Jr. Managing Director and Chief	2004	342,692	254,100	-	-	-	-	75,668 ⁽²⁾⁽³⁾
	2003	328,461	326,700	264,000 ⁽¹⁾	-	-	-	-